



STATE OF UTAH INSURANCE DEPARTMENT  
REPORT OF FINANCIAL EXAMINATION

of

**REGENCE BLUECROSS BLUESHIELD OF UTAH**

of

Salt Lake City, Utah

as of

December 31, 2020



## TABLE OF CONTENTS

<b>SALUTATION .....</b>	<b>3</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>3</b>
Period Covered by Examination.....	3
Examination Procedures Employed.....	3
<b>SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS.....</b>	<b>4</b>
<b>COMPANY HISTORY .....</b>	<b>4</b>
General.....	4
Mergers and Acquisitions .....	5
Dividends and Capital Contributions.....	5
Board of Directors .....	5
Committees .....	6
Holding Company.....	6
Holding Company Organizational Chart .....	7
Transactions and Agreements with Affiliates.....	8
<b>TERRITORY AND PLAN OF OPERATIONS.....</b>	<b>9</b>
<b>GROWTH OF COMPANY .....</b>	<b>9</b>
<b>REINSURANCE .....</b>	<b>11</b>
<b>BALANCE SHEET .....</b>	<b>12</b>
<b>BALANCE SHEET CONT. ....</b>	<b>13</b>
<b>STATEMENT OF REVENUE AND EXPENSES .....</b>	<b>14</b>
<b>RECONCILIATION OF CAPITAL AND SURPLUS .....</b>	<b>15</b>
<b>ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS .....</b>	<b>16</b>
<b>SUBSEQUENT EVENTS .....</b>	<b>16</b>
<b>ACKNOWLEDGEMENT .....</b>	<b>16</b>

April 6, 2022

Honorable Jonathan T. Pike, Commissioner  
Utah Insurance Department  
4315 S. 2700 West, Ste. 2300  
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

**REGENCE BLUECROSS BLUESHIELD OF UTAH**  
Salt Lake City, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered by Examination**

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Company. This examination covers the period of January 1, 2018, through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The purpose of this examination is to assess the financial condition of the Company and its holding company system. The examination was conducted by representatives of the Department. The examination was part of a coordinated examination led by representatives from Division of Financial Regulation of Oregon Department of Consumer & Business Services. Also participating in the examination were insurance department representatives from Idaho, and Washington.

**Examination Procedures Employed**

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls

and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

The Department did not discover any significant findings during the examination.

## **COMPANY HISTORY**

### **General**

Blue Cross of Utah and Blue Shield of Utah merged into Blue Cross and Blue Shield of Utah effective December 28, 1981. In May of 1995, Blue Cross and Blue Shield of Utah, a nonprofit health service insurance corporation, announced its intention to affiliate with The Benchmark Group, an Oregon nonprofit corporation consisting of Blue Cross and Blue Shield plans located in the northwestern United States. On April 2, 1997, The Benchmark Group became known as The Regence Group. Effective December 22, 1997, Blue Cross and Blue Shield of Utah changed its name to Regence BlueCross BlueShield of Utah.

On November 4, 2011, The Regence Group received approval from all relevant insurance departments to use the name Cambia Health Solutions, Inc. (Cambia). Cambia is an Oregon nonprofit public benefit corporation without members and is authorized to do business in Washington, Utah, Oregon and Idaho.

### Mergers and Acquisitions

No mergers and acquisitions took place during the examination period.

### Dividends and Capital Contributions

No stockholder dividends were declared or paid during the examination period.

The Company made capital contributions totaling \$12,223,856.50 in Cascadia Echo Holding Company LLC (Cascadia), where the Company has 13.92% ownership interest. The contributions were made in varying amounts on the following dates in 2020: October 9, October 14, October 23, November 4, November 16, November 20, December 9, and December 16. The Company received a distribution of \$27,397 from Cascadia conveying the proceeds from the sales of stocks on November 9, 2020.

## **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

### Board of Directors

The Company's bylaws state that the number of directors shall be no less than three. The following persons served as directors of the Company as of December 31, 2020:

<b>Name and Location</b>	<b>Primary Occupation</b>
James J. Swayze* Portland, Oregon	President Regence BlueCross BlueShield of Utah
Jake R. Nichol Hideout, Utah	Retired
Timothy J. Morgan** Portland, Oregon	President/CEO AAA Oregon/Idaho

\* Astrid Segovia Tuminez, Ph.D. replaced James J. Swayze effective October 8, 2021.

\*\* Timothy J. Morgan replaced David Boren effective December 7, 2018.

### Officers

The following persons served as officers of the Company as of December 31, 2020:

<b>Name</b>	<b>Title</b>
James Jerome Swayze	President
John Wilson Attey	Secretary
Andreas Bernhard Ellis	Treasurer
Thomas James Hartford, III*	Assistant Secretary
Stephen Douglas Boudreaux	Vice President of Sales
Eric Paul Hales	Vice President of Network Management
Christopher Guy Blanton	Vice President of Individual Market

\*Russell Sherman Collins replaced Thomas James Hartford, III effective July 9, 2021.

### Committees

The following persons served as committee members as of December 31, 2020:

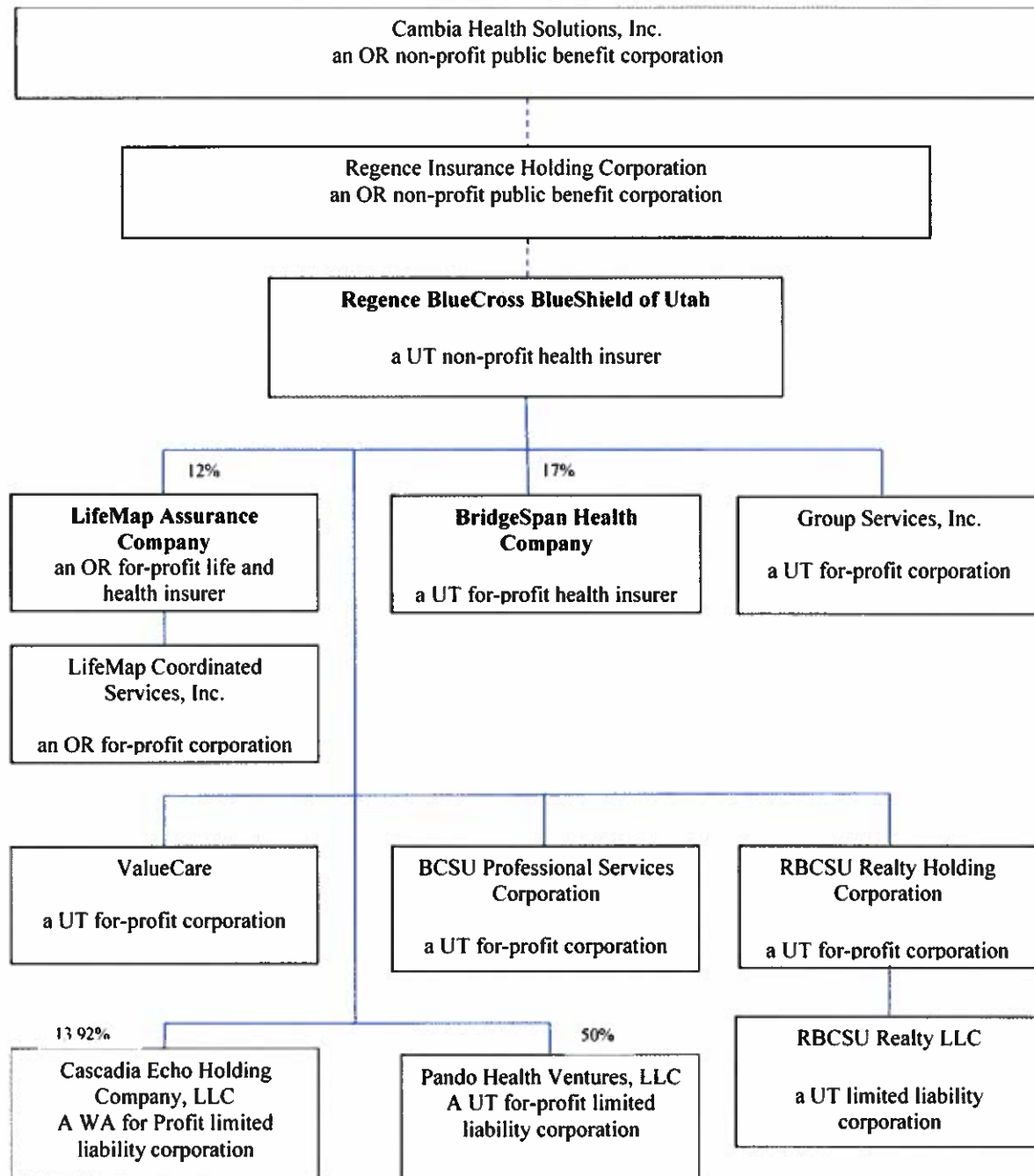
<b>Audit Committee</b>	<b>Nomination Committee</b>
Timothy Morgan, Chair	Jake R. Nichol, Chair
James Swayze	James Swayze
Jake R. Nichol	Timothy Morgan

### Holding Company

The Company is part of a holding company system as defined in Utah Code § 3 1A-16. The ultimate controlling entity of the holding company is Cambia. There are numerous companies within the holding company system, however, only entities with direct relationships with the Company are included in the organizational chart below.

## Holding Company Organizational Chart

The organizational chart below reflects the direct ownership of the Company:



### Transactions and Agreements with Affiliates

The following were the most significant affiliated agreements and transactions in place as of the examination date, December 31, 2020:

1. On August 1, 1997, the Company loaned \$2,900,000 to Cambia, with the maturity date of June 1, 2035.
2. Effective October 1997, the Company has a lease agreement with RBCSU Realty, LLC pertaining to a property located in Salt Lake City, Utah.
3. On February 25, 2019, the Company entered into a consolidated tax allocation agreement with Cambia and its affiliates, setting forth the arrangement to allocate consolidated tax liability among the parties. The agreement apportions the tax liability of the parties during consolidation return years as prescribed in Treasury Regulation sections 1.1502-2 and 1.1502-79.
4. The Company entered into an investment pool with ValueCare to provide for greater return on investments. The investment gains and losses are allocated back to each entity, according to its initial contribution to the pool.
5. In December 2007, the Company entered into an Administrative Services Agreement with Cambia. According to the terms of the agreement, Cambia will provide all operational, administrative and management services reasonably necessary to transact business, including managerial, legal, financial, actuarial, underwriting, accounting, human resources, employee benefit administration, data network telecommunications, marketing advertising, community affairs, public relations, communications, billing, banking, membership, claims adjudication, customer service, reporting, regulatory compliance, mail, and information technology services. In addition, Cambia will provide all equipment, materials, office space, and general supplies. The Company shall pay Cambia its proportionate share of the cost, as well as its proportional share of general overhead expenses, according to a system-wide cost allocation methodology and in accordance with generally accepted cost accounting principles. It is not intended that Cambia shall receive complete reimbursement for its costs to derive no profit from such reimbursement. All direct and indirect expenses incurred will be reconciled monthly and balances settled within 90 days from the end of the reporting month.
6. Effective January 1, 2012, the Company entered into a Joint Enterprise Agreement with Regence BlueShield of Idaho, Inc. which permits each organization to contract with the Centers for Medicare and Medicaid Services to offer Medicare Part D pharmacy benefit plans to residents of the respective states.



7. The Company, along with Cambia Health Solutions, Inc., Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Washington, and Regence BlueCross BlueShield of Idaho, entered into an Operating Agreement for Cascadia Echo Holding Company, LLC, effective November 8, 2016. Cascadia's primary purpose was to be a member of Echo Health Ventures, LLC, a Delaware limited liability company.
8. The Company entered into a Stop-Loss Policyholder Transition Agreement with Commencement Bay Risk Management Insurance Company for Stop Loss coverage dated April 1, 2018. The Company had decided to discontinue offering stop loss coverage to its policyholders and transferred that coverage to Commencement Bay Risk Management as the new stop loss provider.

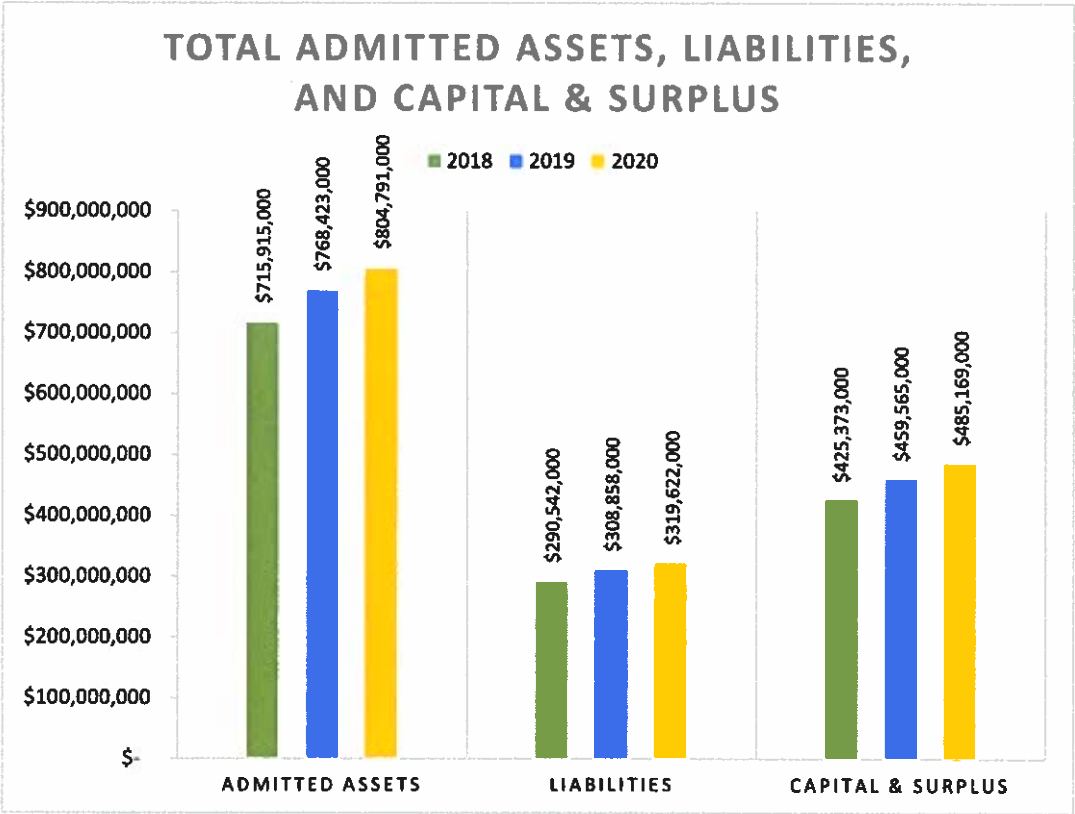
### **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed in Utah as a non-profit company and served 232,901 members at year-end 2020. The Company offers a full line of health insurance products for large and small employer groups, individuals, and government programs, and a range of supplementary products such as dental, vision, and prescription drug coverage. The Company's business segments are commercial group and individual, Medicare Advantage and Medicare Supplement. As a BlueCross BlueShield Association licensee, it participates in the Federal Employee Program and the Blue-Card Program. The Company also offers services for self-funded plans, including claims processing, stop-loss insurance, actuarial and reporting services, medical cost management and other administrative services. The Company's health products are primarily distributed through brokers. Subsequently, the Company started writing business on the Utah Health Exchange effective January 1, 2021.

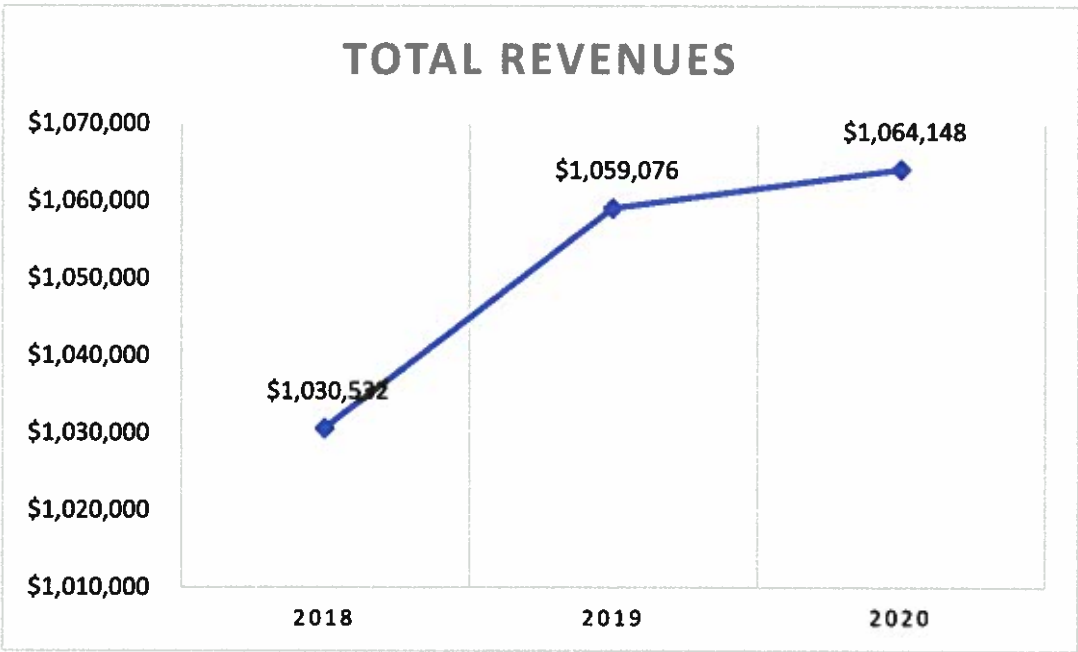
### **GROWTH OF COMPANY**

During the examination period, the Company experienced modest growth as evidenced by year-over-year increases in assets and capital and surplus. Liabilities have remained steady, and total revenue increased each year during the period under examination.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2018 – 2020 Annual Statements



Sources: 2018 – 2020 Annual Statements

## **REINSURANCE**

### **Assumed**

The Company did not have any assumed reinsurance.

### **Ceded**

Effective January 5, 2015, the Company and a number of its affiliates entered into an excess of loss reinsurance contract with HM Life Insurance Company. The arrangement reinsures the Company against high dollar claims incurred for fully insured including commercial, retrospective, federal exchange and stop loss members for claims in excess of the Company's retention of \$2 million ultimate net loss. The reinsurance agreement was subsequently terminated on December 31, 2018.

Effective January 1, 2019, the Company and a number of its affiliates began its ceding reinsurance arrangement with QBE Re, with the retention of \$3.5 million.

LifeMap Assurance Company reinsures the Company for accidental death benefits in certain individual and group medical policies. The reinsurance agreement was amended on January 1, 2020, to include a Settlement Clause and an Entire Agreement Clause as required by Utah Admin. Code R590-70-18(2)(c) and R590-143-4(C)(1) respectively.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**REGENCE BLUECROSS BLUESHIELD OF UTAH  
BALANCE SHEET**

as of December 31, 2020

**ASSETS**

	<u>Net Admitted Assets</u>
Bonds	\$ 471,746,494
Common Stocks	127,910,151
Real Estate: Properties occupied by the company	3,501,871
Cash, cash equivalents, and short-term investments	(7,092,657)
Other invested assets	11,106,463
Receivables for securities	332,298
Investment income due and accrued	3,088,487
Uncollected premiums and agents' balances in the course of collection	128,597,047
Accrued retrospective premiums and contracts subject to redetermination	12,429,269
Amounts receivable relating to uninsured plans	41,722,437
Receivables from parent, subsidiaries and affiliates	18,338,089
Health care and other amounts receivable	7,996,468
Executive & Directors Deferred Comp	962,143
Investment pool subsidiaries	(15,847,952)
Total Assets	<u>\$ 804,790,608</u>

**REGENCE BLUECROSS BLUESHIELD OF UTAH  
BALANCE SHEET CONT.**

as of December 31, 2020

**LIABILITIES, SURPLUS, AND OTHER FUNDS**

	<u>Current Year</u>
Claims unpaid	\$ 132,350,841
Accrued medical incentive pool and bonus amounts	1,818,530
Unpaid claims adjustment expenses	5,020,489
Aggregate health policy reserves, including MLR rebate	67,842,855
Aggregate health claim reserves	170,000
Premiums received in advance	7,559,604
General expenses due or accrued	9,895,608
Current income tax payable and interest thereon on realized capital gains	17,358,381
Ceded reinsurance premiums payable	28,313
Amounts withheld or retained for the account of others	3,793,063
Remittances and items not allocated	1,136,818
Amounts due to parent, subsidiaries and affiliates	19,618,913
Payable for securities	1,228,322
Liability for amounts held under uninsured plans	51,435,918
Aggregate write-ins for other liabilities	363,861
Total Liabilities	<u>\$ 319,621,516</u>
 Unassigned funds (surplus)	 <u>\$ 485,169,092</u>
Total Capital and Surplus	<u>\$ 485,169,092</u>
 Total Liabilities, Capital and Surplus	 <u>\$ 804,790,608</u>

**REGENCE BLUECROSS BLUESHIELD OF UTAH**  
**STATEMENT OF REVENUE AND EXPENSES**

for the Year-Ended December 31, 2020

<b>REVENUE:</b>	<b>Current Year</b>
Net premium income	\$ 1,058,921,051
Change in unearned premium reserves and reserve for rate credits	5,226,814
<b>Total Revenue</b>	<b>1,064,147,865</b>
 <b>HOSPITAL AND MEDICAL EXPENSES:</b>	
Hospital/medical benefits	540,983,378
Other professional services	49,107,386
Outside referrals	8,256,239
Emergency room and out-of-area	137,777,256
Prescription drugs	177,168,265
Incentive pool, withhold adjustments and bonus amounts	1,008,036
<b>Total Hospital and Medical</b>	<b>914,300,560</b>
 <b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>	
Net reinsurance recoveries	(168,678)
Claims adjustment expenses	62,064,038
General administrative expenses	76,524,232
Increase in reserves for life and accident and health contracts	1,117,057
<b>Total underwriting deductions</b>	<b>1,054,174,565</b>
Net underwriting gain	9,973,300
Net investment income earned	13,297,091
Net realized capital gains	4,585,981
Net investment gains	17,883,072
Net loss from agent's or premium balances charged off	(6,630)
Other expense	(7,787,942)
<b>Net income after capital gains, before federal income taxes</b>	<b>20,061,800</b>
<b>Federal and foreign income taxes incurred</b>	<b>6,319,057</b>
<b>Net Income</b>	<b>\$ 13,742,743</b>

**REGENCE BLUECROSS BLUESHIELD OF UTAH**  
**RECONCILIATION OF CAPITAL AND SURPLUS**

2018 through 2020

	2018	2019	2020
Capital and surplus prior reporting year	\$ 353,461,419	\$ 425,372,931	\$ 459,565,481
Net income	77,177,422	26,329,179	13,742,743
Change in net unrealized capital gains (losses)	(5,540,774)	14,922,657	13,101,947
Change in net deferred income tax	(14,497,749)	5,525,389	(650,005)
Change in nonadmitted assets	6,159,613	(12,584,675)	(591,074)
Aggregate write-ins for gains in surplus	8,613,000	-	-
Net change in capital and surplus for the year	71,911,512	34,192,550	25,603,611
Capital and surplus end of reporting year	\$ 425,372,931	\$ 459,565,481	\$ 485,169,092

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to financial statements as a result of the examination.

## **SUBSEQUENT EVENTS**

The Company started writing business on the Utah Health Exchange effective January 1, 2021.

## **ACKNOWLEDGEMENT**

John Humphries, AES, ASA, CFE, CISA, and Mike Presley, FSA, MAAA of Risk & Regulatory Consulting, LLC (RRC), performed the actuarial review of the examination. Tom Hayden, AES, CISA, IT Manager from RRC performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, supervised the examination. In addition, Ashley Bowen, former Financial Regulator, Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

*Cambria Shore*

Cambria Shore, MSA, AFE, APIR  
Examiner-in-Charge  
Utah Insurance Department